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Carol X Weakley 10/23/2006 10:58:22 AM From DB/Inbox: Carol X Weakley

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C O N F I D E N T I A L TEL AVIV 04177

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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 004177

SIPDIS

E.O. 12958: DECL: 10/20/2012
TAGS: [PREL](#) [PGOV](#) [PINR](#) [KPAL](#) [IS](#)
SUBJECT: PERETZ WANTS MERETZ, BUT BEILIN IS BETTING ON BIBI
REF: TEL AVIV 4107

Classified By: Charge d'Affaires Gene A. Cretz. Reason 1.4 (B/D)

¶1. (C) PM Olmert's courting of Avigdor Lieberman's Yisrael Beiteinu (YB) party as a potential coalition partner has forced Labor Party chairman Amir Peretz to look left to Meretz for political survival. Meretz MK Avshalom Vilan last floated the idea of a Meretz-Labor partnership at the end of September, but his idea wasn't taken seriously by the Labor Party until its whip, MK Ephraim Sneh, expressed interest this week (reftel). Peretz then told the press, on October 19, that "it is absolutely necessary to examine the idea of uniting forces in the Israeli peace camp." Meretz Party chairman Yossi Beilin reportedly responded that "it would be absurd for a guiding light like Meretz to link up to a sinking ship," according to press reports. But Beilin's aide confirmed to poloff October 20 that Beilin (despite his public statements) and Peretz would meet the week of October 23 to test the waters on two separate but related issues: participation in the coalition and possible merger of the two parties. Joining the coalition would offer Beilin an opportunity to exert some influence, with Peretz, on government policy toward the Palestinians. For his part, Olmert reportedly told the press: "I am willing to accept Beilin, I am willing to accept Lieberman, but without changing the basic principles of this government."

BEILIN ON OLMERT'S POLICY OPTIONS

¶2. (C) In late September, Beilin told the Ambassador that public opinion polls had undermined the coalition leaders' status as well as their self-assurance. Beilin commented that Olmert was "paralyzed" politically and needed to lay out a new policy agenda now that convergence/realignment is on hold. Beilin recommended that Olmert "re-energize the Roadmap" by interpreting its provisions as a parallel process, rather than a linear one. Specifically, Beilin

advocated a focus on Phase II of the Roadmap, which he termed "convergence via negotiations" that is "tailor-made for Olmert and Abu Mazen." On the Quartet demands of the PA, Beilin responded "don't abandon them. If the PA fails to make parallel progress on roadmap steps on security issues, then don't release money to the PA." Even if Gilad Shalit is freed, Beilin did not believe this would result in much political bounce for Olmert. "Since he (Olmert) said he would pay no price -- and he will have to pay a price -- the day of (prisoner) release will weaken him."

BEILIN BETTING ON BIBI

13. (C) Contrary to current Kadima Party spin that suggests a coalition with Lieberman is imminent, Beilin predicted that Likud Party chair, Binyamin Netanyahu, would attempt to form a governing coalition without going to elections. Beilin said he thought Lieberman would be more likely to line up with Netanyahu than with Olmert, and hinted that Netanyahu might woo former Defense Minister MK Shaul Mofaz from Kadima back to the Likud if the MOD portfolio were dangled in front of him. Beilin also mentioned that the seven members of the Pensioners party were wild cards that hadn't been counted. "MK Moshe Sharoni is beyond Lieberman," Beilin dramatized. He concluded that Likud combined with Shas, United Torah Judaism (UTJ), YB, and the National Union would yield fifty seats, so Netanyahu would only need a third of the Kadima faction (10) and several Pensioners to obtain a majority.

14. (C) Comment: Although pundits still predict Lieberman has a better chance of joining the coalition than does Beilin, Yisrael Beiteinu was forced to make its first retreat by pulling its government reform bill from a preliminary hearing in the Knesset on October 18. Knesset contacts informed our political specialist that if Lieberman had initiated a preliminary reading of his bill, as he had planned (reftel), it would have faced a vote. Lieberman does not yet have sufficient support lined up, and has opted to postpone his initiative rather than risk a six-month delay -- which is required if legislation fails to obtain a majority at its first reading. As for Beilin's analysis of Netanyahu's chances to regain the helm, we think Beilin overstates the ease with which Netanyahu could carve up Kadima. The Knesset law requires that for any faction to split from another it must have no fewer than one third the number of MKs in it. End Comment.

15. (C) Bio Notes: Although Meretz is often characterized as the "left-wing" of the Israeli political spectrum, Beilin personally rose to prominence in the Labor Party as a protege of Shimon Peres, who is now with Kadima, and supported former Prime Minister Sharon's disengagement policy from Gaza and parts of the West Bank. Beilin still breaks bread with Peres over lunch every Friday, even though their political trajectories have separated. Beilin is also personally friendly to Lieberman, despite the deep political divide that separates them. Former MK Yossi Sarid (Meretz) wrote livid op-ed pieces about Beilin's betrayal of the Meretz mantra after it was revealed that Beilin and Lieberman often shared meals together.

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